

MONTANA INVITES OILPATCH SOUTH; GOVERNOR TOUTS LOWER COSTS, TAXES IN CALGARY SPEECH

By Geoffrey Scotton

Less than five days after Premier Ed Stelmach introduced sweeping increases to the province's oil and gas royalty regime, Gov. Brian Schweitzer of neighbouring Montana has invited the Canadian oilpatch to look south for lower costs and taxes.

"Our tax rate and regulatory environment is better in Montana than in Alberta," Schweitzer said Tuesday to a Calgary Chamber of Commerce business audience that included many energy sector executives.

"When you drill in Montana, you don't even pay the taxes for the first 12 to 18 months. We have a tax holiday," said Schweitzer. "Our taxes are already lower, so that if some of you considered that with this new additional tax you may move some of your dollars someplace else, come on to Montana. You'll be welcome."

Other nearby jurisdictions are also welcoming the fallout in Alberta from Stelmach's announcement Oct. 25 that the province will collect a further \$1.4 billion in royalties starting in 2009, a 20 per cent increase in the government's share.

"We would anticipate that there would likely be at least some increased activity in our province as a result of that," said Maynard Sonntag, Saskatchewan minister of Industry and Resources. "It will likely make us more competitive."

Saskatchewan has been benefiting from increased oilpatch attention, interest that has pushed government land sale values to a record high so far this calendar year of \$235 million. It also produced in early October, for the first time in memory, better results for land sales in Saskatchewan, at \$84.1 million than in Alberta, at \$40.3 million.

"We've worked hard to get a competitive regime in Saskatchewan . . . a regime that works well for the industry but is still fair to the taxpayers of Saskatchewan, said Sonntag. "We think we've struck that balance and we've seen a really significant increase in activity in our province. The more the better."

British Columbia is also watching the repercussions of Alberta's decision to hike royalties, said that province's energy, mines and resources minister.

"There's all that kind of speculation out there that going on that this is going to be good for other jurisdictions," Richard Neufeld told the Herald Tuesday. "We have a royalty regime in the province of British Columbia that we think Fred and Martha get value for their product that they own and that we want to continue to keep the investment that

we've been getting here from the industry, which has been substantial," Neufeld added. "We want to keep going down that path."

Montana's Schweitzer also touts his state as a welcoming home for new refineries to add value to, and make money from, surging bitumen production from Alberta's oilsands. According to the latest National Energy Board projections, Canada's roughly 1.5 million barrels per day of oilsands production will rise to three million barrels per day by 2015, requiring a near-tripling of refining capacity.

"If Canada's going to increase their production by a million and then two million barrels a day it means new refining capacity is going to have to be developed at some place . . . either on the Gulf Coast where they're refining it right now, or it's going to be someplace between Fort McMurray and markets," said Schweitzer.

About 75 per cent of the Alberta's refining capacity at four separate facilities is already devoted to refining Alberta heavy crude. Schweitzer noted many Montana residents would welcome new refineries often shunned by others in many other areas of North America, that the state is far closer to Alberta bitumen supplies than the U.S. Gulf Coast and that crack spreads are the highest in the U.S. in his state, particularly in Billings.

"The upgrade facilities, billions of dollars will be invested in the upgrade facilities in the Heartland project in particular near Edmonton and then that upgraded material is going to go to some refinery. We're suggesting that Montana is a great location for the refineries, not for the upgrade."

Schweitzer noted his state is an energy powerhouse, with massive deposits of coal and oil and substantial power generation, and is positioning itself, along with the nearby jurisdictions of Alberta, Wyoming, Colorado and Utah as the key to America's energy security.

"It is energy that is domestic and it is energy that is secure," said Schweitzer. "We can supply all of the energy that (the U.S.) needs. We can supply all of the energy that North America needs, he added, noting development of Montana resources holds great promise for Alberta energy firms.

"You have opportunities beyond Alberta," said Schweitzer. "If you are looking for new places to develop oil and gas, coal gasification, coal liquefaction, if you're interested in wind power, or geo-thermal . . . or transmission lines, that is a great opportunity for investment."